

## BILL ANALYSIS

Department, Board, or Commission	Author	Bill Number
Franchise Tax Board (FTB)	Assembly Revenue and Taxation Committee	AB 242

### SUBJECT

Conformity to Federal Health-Care Reform

### SUMMARY

This bill would conform to four tax provisions of the 2010 federal health-care reform acts.<sup>1</sup> This bill would also make changes to the California Civil Code and the California Sales and Use Tax Law; however, such changes would not affect the FTB, and are not addressed in this report.

### PURPOSE OF BILL

The general purpose of conforming to changes in federal law is to simplify both the preparation of California income tax returns and the administration of California income tax laws.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2012. The operative dates of conformity to the four provisions of the Patient Protection and Affordable Care Act (PPACA) would be as follows:

	Act Section	Description	Operative Date
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion	For taxable years beginning on or after January 1, 2010
2	PPACA 9021	Indian tribal government health benefits exclusion	For benefits/coverage provided after March 23, 2010
3	PPACA 9022	Safe harbor for small employer cafeteria plans	For taxable years beginning on or after January 1, 2011
4	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans	For taxable years beginning on or after January 1, 2014

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<sup>1</sup> "Federal health-care reform" means the Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152).

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## ANALYSIS

### FEDERAL/STATE LAW

See the FTB's report titled ["Summary of March, 2010, Federal Health Care Acts"](#) for a detailed discussion of federal and state laws that would be affected by this bill.

### THIS BILL

This bill would conform to the following four provisions of the PPACA:

	<b>Act Section</b>	<b>Description</b>
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion
2	PPACA 9021	Indian tribal government health benefits exclusion
3	PPACA 9022	Safe harbor for small employer cafeteria plans
4	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans

## LEGISLATIVE HISTORY

AB 36 (Perea & Blumenfield, et al., Stats. 2011, Ch. 17) conformed California law to the federal health-care reform provision that provides an exclusion and deduction for the medical care expenses of a child under 27.<sup>2</sup>

AB 1178 (Portantino, 2009/2010) would have conformed to certain provisions of the federal health-care reform acts. That bill failed to pass the Senate Appropriations Committee.

## OTHER STATES' INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

- *Illinois, Michigan, Minnesota, and New York* conform to federal health-care reform.
- *Massachusetts* has different conformity rules for corporate tax and personal income tax. Under its corporate tax, *Massachusetts* generally has automatic conformity to the IRC, and conforms to federal health-care reform. Under its personal income tax law, *Massachusetts* generally conforms to the IRC as of January 1, 2005, but has automatic conformity to certain sections of the IRC. As a result, under its personal income tax law, *Massachusetts* conforms to some, but not all, of federal health-care reform.
- *Florida*, which imposes corporate income tax but not personal income tax, conforms to federal health-care reform.

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<sup>2</sup> AB 36 conforms to Section 1004 of the Health Care and Education Reconciliation Act of 2010, Public Law 111-152.

**FISCAL IMPACT**

This bill would not significantly impact the department's costs.

**ECONOMIC IMPACT**

	<b>Act Section</b>	<b>Description</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
1	PPACA 10908	Health professional's student loan repayment program exclusion and student loan forgiveness exclusion	-\$400,000	-\$500,000	-\$350,000	-\$350,000
2	PPACA 9021	Indian tribal government health benefits exclusion	-\$50,000	-\$150,000	-\$80,000	-\$80,000
3	PPACA 9022	Safe harbor for small employer cafeteria plans	Negligible Loss	Negligible Loss	Negligible Loss	Negligible Loss
4	PPACA 1515	Small employer cafeteria plans to allow Exchange-participating health plans	No Impact	No Impact	Negligible Loss	Negligible Loss
<b>Totals</b>			<b>-\$450,000</b>	<b>-\$650,000</b>	<b>-\$430,000</b>	<b>-\$430,000</b>

**APPOINTMENTS**

None.

**SUPPORT/OPPOSITION<sup>3</sup>**

Support: California Taxpayers' Association  
The Board of Equalization

Opposition: None.

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<sup>3</sup> Senate Floor Bill Analysis, August 31, 2011.

**VOTES**

Concurrence	09/09/11	Y: 79	N: 0
Senate Floor	09/07/11	Y: 34	N: 0
Assembly Floor	06/02/11	Y: 76	N: 0

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